

ANALYZING THE CURRENT ECONOMIC ENVIRONMENT – DOMESTIC AND INTERNATIONAL

O. SANGEETHA
M.A. Economics
S.V. College

Abstract

This study investigates the panel Granger causality relationship approach and variance decomposition to test whether domestic economic growth promote tourists receipts, using international tourism receipts, real GDP per capita growth, exchange rate, financial development, and trade openness for Asian countries over the period of 1995-2014 and whether regional effects should be considered a product of incomes groups in selected Asian countries. Drawing on the selected Asian countries experiments, the empirical investigation of tourism's contribution to growth indicates that factors, as well as tourism-related factors, are conducive to economic growth. Based on the findings of the Panel Granger tests and variance decomposition analysis, tourism receipts and economic growth should be considered in the analysis, since they provide valuable information for policymakers. The interpretation of the causality test can help providing a tool to allocate limited resources in addition to developing appropriate tourism strategies.

Keywords: *Economic growth; Tourism receipts; Trade openness financial development; Asian countries*

1.0 Introduction

Global tourism receipts in goals around the globe developed by 3.6% of every 2015, in accordance with the 4.4% expansion in worldwide entries. For the fourth sequential year, global tourism became speedier than world stock exchange, bringing tourism's offer up in world's fares to 7% of every 2016. The aggregate fare an incentive from universal tourism added up to US\$ 1.4 trillion. Tourism is today a noteworthy gathering of global exchange administrations," said UNWTO Secretary-General Rifai tending to the 60th Regional Commission for the Americas meeting in Havana, Cuba. "Despite a weak and slow economic recovery, spending on international tourism grew faster in 2015, proving the sector's relevance in stimulating economic growth, boosting exports and creating jobs for an increasing number of economies worldwide," he added. International tourism represents 7% of total world exports and 30% of services exports. The share of tourism in overall exports of goods and services increased from 6% to 7% in 2015 as for the fourth consecutive year international tourism outgrew world merchandise trade, which grew 2.8% in 2015 according to recent data reported by the World Trade Organization. In 2014, Asia and the Pacific (30% share) saw an increase of US\$ 16 billion, reaching US\$ 377 billion (euro 284 bn)

Tourism is increasing overall economic activity, and this increase in activity is normally desirable. Often, the positive impacts on economic activity are inaccurately described as the "benefits" of tourism, as explained below The attention has focused on international tourism as an important potential growth sector for many countries The speedy growth of tourism causes an increase in household income and government revenues through multiplier effects, improvements in the balance of payments and growth in the tourism promoted government policies. In recent decades, the relationship between tourism and economic growth for both developing and developed countries has been extensively studied. In general, there is the causal relationship from tourism to economic growth.

International environment:

The international environment is very important from the point of view of certain categories of business. It is particularly important for industries directly depending on imports or exports and import-competing industries. For example, a recession in foreign markets, or the adoption of protectionist policies by foreign nations, may create difficulties for industries depending on exports. On the other hand, a boom in the export market or a relaxation of the protectionist policies may help the export-oriented industries. A liberalization of imports may help some industries which use imported items, but may adversely affect import-competing industries. It has been observed that major international developments have their spread effects on domestic business. The Great Depression in the United States sent its shock waves to a number of other countries.

Demographic environment:

Demographic factors like the size, growth rate, age composition, sex composition, etc. of the population, family size, economic stratification of the population, educational levels, languages, caste, religion etc. Are all factors that are relevant to business? Demographic factors such as size of the population, population growth rate, age composition, life expectancy, family size, spatial dispersal, occupational status, employment pattern etc, affect the demand for goods and services. Markets with growing population and income are growth markets. But the decline in the birth rates in countries like the United States have affected the demand for baby products. Johnson and Johnson have overcome this problem by repositioning their products like baby shampoo and baby soap, promoting them also to the adult segment, particularly to the females.

Endogenous Growth, Innovation and the Environment: This part of the literature began to emerge in the mid- (though endogenous growth models without an environmental component began to be developed in the The general idea in all endogenous growth models, including those with an environmental component, is that the marginal product of human-supplied capital broadly defined does not decline toward zero even as the volume of capital grows. "Human-supplied capital" incorporates not just equipment, but also knowledge and skills. The ability to augment human as well as machine capital is one of the pathways emphasized in the theoretical assumption that marginal product of investment can remain above some positive threshold level

Objectives:

The employ microeconomics to analyze issues in organizational economics consumer behavior, and public policy Articles submitted to BEJEAP can come in two formats: research papers and letters. Authors should bring to their analysis whatever microeconomic theoretical, experimental or econometric tools are helpful. We publish both empirical work and applied theory (though not more abstract forms of applied theory), and our aim is to disseminate papers that have practical implications for public policy, organizational or individual decision making.

2.0 Literature review:

Muhammad Rabi Ullah, Shahanaz Parvin (2015) from the early stages women are confined at some definite work, position and role which generally differ to men in society. Their status is seen as below than men in patriarchal social structure like Bangladesh. Today the situation is more or less remaining same to some extent in their family roles and responsibilities that causes to domestic violence. The article mainly focuses on the socio-economic status of women and different forms of domestic violence at urban area in Dhaka city. The study shows the lower position of women at different levels and also high rate of verbal and psychological violence to women in their married life. Still dependency on men was found high in the urban area and most women were found not engaged in productive economic activities.

Kj nath(2013) Most cities and towns in developing countries, like India, are characterized by over-crowding, congestion, inadequate water supply and inadequate facilities of disposal of human excreta, waste water and solid wastes. Inadequacy of housing for most urban poor invariably leads to poor home hygiene. Personal and domestic hygiene practices cannot be improved without improving basic amenities, such as water supply, waste water disposal, solid waste management and the problems of human settlements. But even under the prevailing conditions, there is significant scope of improving hygiene practices at home to prevent infection and cross-infection. Unfortunately, in developing countries, public health concerns are usually raised on the institutional setting, such as municipal services, hospitals, environmental sanitation, etc.

Yoshida, N., H. Uematsu, and C. E. Sobrado (2014).The eradication of extreme poverty within a generation is feasible—but it is far from guaranteed. Projections of economic growth are highly uncertain, but unless growth is both rapid and inclusive, extreme poverty is likely to persist in today's poorest countries, many of which are 2 | VISION FOR ENDING EXTREME POVERTY in sub-Saharan Africa. A significant number of vulnerable people also remain in Asia, and pockets of extreme poverty continue to exist in all regions, even in countries that have grown into middle-income status. There are daunting challenges associated with conflict and fragility and with climate change, and the implications of urbanization may vary sharply across countries. Emerging opportunities lie in evolving sources and mechanisms of development finance, including greater attention to domestic resource mobilization; youth bulges that can provide a demographic dividend if supportive social and economic policies are in place; and the transformative potential of data and technology. These global trends will shape individual country trajectories; USAID's task is to help push these trajectories toward their most promising possibilities.

Van Biesebroeck, James (2006).Proponents of trade liberalization argue that exporting helps firms to achieve higher productivity levels. This hypothesis is examined for a panel of manufacturing firms in nine African countries. The results indicate that exporters in these countries are more productive and, more importantly, exporters increase their productivity advantage after entry into the export market. While the first finding can be explained by selection—only the most productive firms engage in exporting—the latter cannot. The results are robust when unobserved productivity differences and self-selection into the export market

are controlled for using different econometric methods. Scale economies are shown to be an important channel for the productivity advance.

Marcel Kordos, Sergej Vojtovic(2016) Transnational corporations are one of the most important subjects of international economics. They are directly affecting new trends in international business, global competitiveness on international markets as well as economies of states, nations. This paper will analyze how the internationalization is implemented into competitiveness enhancement of transnational corporations, how important role transnational corporations play within the current global economic turbulent processes to assure sustainable economic growth in the world economy and enhance the competitiveness within the world economy environment. By means of analysis, comparative analysis methods followed by logical deduction the main aim of this paper is to figure out how and in what way the transnational corporations implementation processes within the business environment can affect the international economics system in terms of social and economic development.

Balaguer J, Cantavella-Jorda M (2002) Additionally, the government should try to upgrade, develop and enhance the domestic tourism economy by implementing strategies to reduce initial risks and provide capital needs for private firms operating in tourism, to stimulate private investment in the tourism industry by lowering costs to acquire capital and land, including loan guarantees, tax exemptions and lower tax rates. Should outcomes show reverse causality, then economic growth may be necessary for the expansion of the tourism industry, as in Asian countries. In those cases, the government should first concentrate on economic growth, and this will naturally yield the feedback effects for the development of tourism. Aside from determining the regional effects, from the global standpoint, all Asian countries can concurrently enjoy the benefits of tourism development and economic growth

3.0 Benefits of international business survival

Because most of the countries are not as fortunate as the United States in terms of market size, resources, and opportunities, they must trade with others to survive; Hong Kong, has historically underscored this point well, for without food and water from china proper, the British colony would not have survived along. The countries of Europe have had similar experience, since most European nations are relatively small in size. Without foreign markets, European firms would not have sufficient economies of scale to allow them to be competitive with US firms. Nestle mentions in one of its advertisements that its own country, Switzerland, lacks natural resources, forcing it to depend on trade and adopt the geocentric perspective.

Economic environment:

Economic conditions, economic policies and the economic system are the important external factors that constitute the economic environment of a business. The economic conditions of a country-for example, the nature of the economy, the stage of development of the economy, economic resources, and the level of income, the distribution of income and assets, etc.- are among the very important determinants of business strategies. In a developing country, the low income may be the reason for the very low demand for a product. The sale of a product

for which the demand is income elastic naturally increases with an increase in income. But a firm is unable to increase the purchasing power of the people to generate a higher demand for its product. Hence, it may have to reduce the price of the product to increase the sales.

Growth of overseas markets:

Developing countries, in spite of economic and marketing problems, are excellent markets. According to a report prepared for the U.S. CONGRESS by the U.S. trade representative, Latin America and Asia/Pacific are experiencing the strongest economic growth. American markets cannot ignore the vast potential of international markets. The world is more than four times larger than the U.S. market. In the case of Amway corps., a privately held U.S. manufacturer of cosmetics, soaps and vitamins, Japan represents a larger market than the United States.

TNCs and global risks in international economics environment:

Dramatic increase of foreign direct investment (FDI) flows as well as the growing power of corporations, which can be seen on their market power or global strategies raise legitimate concerns that many countries will be exploited by TNCs. It is a matter of fact that in the last two decades of the 20th century there has been a vast expansion of corporate power in the world. According to this cause is evoked by a number of factors - a spectacular boom in the US stock market (US stock market boom), that provides capital to take-over the absolute majority of shares, deregulation, new communications and technologies enabling companies to oversee more extensive operations and exploit economies of scale. Maintaining a strong regulatory framework and encouraging companies of different countries for investment and competition on local market are possible answers to potential dangers of corporate power. However, despite these and other safeguards the concept of global economy with a huge number of powerful TNCs is rather dangerous option for companies and governments of small and poor countries than rich and large ones. The primary objective of corporations is, of course, to gain profit, and to reach it at minimal costs - they invest where there is a cheap labor and it is not necessary to meet high environmental standards. For poor countries the FDI is often the only way how to create new jobs. argues that in terms of global exposure of TNCs in international environment, they can have following negative effects on world economy

4.0 Framework for analyzing international business environment

Environmental analysis is defined as the process by which strategists monitor the economic, governmental/legal, market/competitive, supplier/technological, geographic, and social settings to determine opportunities and threats to their firms Environmental diagnosis consists of managerial decisions made by analyzing the significance of the data (opportunities and threats) of the environmental analysis . The definition of environmental analysis given above has been made in the context of the strategic management process for an existing firm. It is, however, quite obvious that environmental analysis is the cornerstone of new business opportunity analysis too. Indeed, today a much more- greater emphasis is given than in the past to the fact that environmental analysis is an essential prerequisite for strategic management decision-making. For instance, in his recent editions of Marketing Management,

Philip Kilter, the world-renowned professor and author, describes Marketing Environment Audit as the first component of a Marketing Audit, whereas in the earlier editions of this book, the definition of Marketing Audit does not have any reference to the environment.

Important development affecting business:

It is wrong to think that all publics are threats to business. Some of the actions of the publics may cause problems for companies. However, some publics are an opportunity for the business. Some businessmen, for example, regard consumerism as an opportunity for the business. The media public may be used to disseminate useful information. Similarly, fruitful cooperation between a company and the local publics may be established for the mutual benefit of the company and the local community.

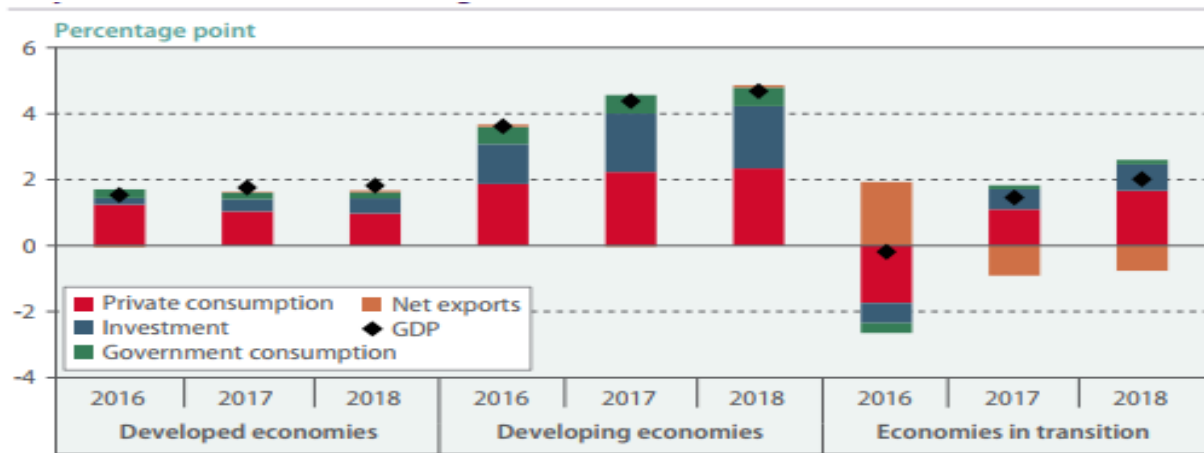


Figure: Projected contributions to GDP growth

Conclusions:

This study investigates the panel Granger causality relationship approach and variance decomposition to test whether domestic economic growth promote tourists receipts, using, international tourism receipts, real GDP per capita growth, exchange rate, financial development, and trade openness for Asian countries over the period of 1995-2014 and whether regional effects should be considered a product of incomes groups in selected Asian countries. Drawing on the selected Asian countries experiments, the empirical investigation of tourism’s contribution to growth indicates that factors, as well as tourism-related factors, are conducive to economic growth The long-run relationships between tourism development and real GDP per capita signifies that both variables are causally related. This paper investigated not only whether tourism benefits have a different and more significant impact on the destination country in terms of economic development. The approaches investigate cross-sectional dependency across selected Asian countries in the causality test; therefore, they may result in misleading inferences about the nature of causality between international tourism receipts and economic growth The results show there is panel counteraction relation between these two concepts, while PMG approach consisted long-run relations. Since the tourism sector plays a major role in economies, it is crucial to empirically verify the positive relation hypothesis as is commonly accepted in Asian countries. Our empirical results showed that the feedback hypothesis is unidirectional causality between tourism receipts and

economic growth. And the neutrality hypothesis is in the nature of a causal direction between tourism receipts and trade openness in some Asian countries.

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